

3/8/72

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FILING STATEMENT NO. 1841
FILED, AUGUST 3, 1972.

THE TORONTO STOCK EXCHANGE

CANADA GEOTHERMAL OIL LTD.

Incorporated as Pacalta Oils Co., Limited under Laws of Ontario by Letters Patent - March 28, 1944. Name changed to New Pacalta Oils Co., Limited by Supplementary Letters Patent-March 25, 1948. Name changed to Wespac Petroleum Limited by Supplementary Letters Patent -

May 27, 1955. Name changed to Canada Geothermal Oil Ltd. by Articles of Amendment - August 12, 1971.

Particulars of incorporation (e.g., Incorporated under Part IV of the Corporations Act, 1953 (Ontario) by Letters Patent dated May 1st, 1957).

FILING STATEMENT

(To be filed with respect to any material change in a company's affairs, including among other things, an underwriting and option agreement, an issue of shares for property and a proposed re-organization.)

1. Brief statement of the material change in the affairs of the company in respect of which this statement is filed.

- (a) The sale at par for investment purposes and not for redistribution of \$500,000 principal amount of the Company's convertible debentures to FNCC Capital Canada Ltd. as to \$300,000 and to Charterhouse Canada Ltd. as to \$200,000, with the following features:
- TERM - 7 year
- INTEREST RATE - Mercantile Bank of Canada prime commercial lending rate adjusted January and July during and throughout the term.
- SECURITY - Floating charge on all the assets and undertakings of the Company.
- CONVERSION - Convertible throughout the term into common shares of the Company at the rate of \$1.15 per share with anti dilution clause providing for price adjustment on dilution of share capital at a price differential in excess of \$0.05 below \$1.15 per share.
- REDEMPTION - Prior to maturity, at the Company's option, without penalty, or bonus, on 20 days notice;
- .During the first two years of the term thereof, in total,
- (i) in the event the Company receives an amount or amounts aggregating \$500,000 net by either public or private financing through the sale of its common shares at a price or prices not less than \$2.30 per share, or
- (ii) in the event the common shares of the Company trade on the Toronto Stock Exchange at a price not less than \$2.30 per share for not less than 20 consecutive trading days.
- .After the expiration of two years of the term, in total or in part in multiples of \$50,000.
- (b) Issuance of 135,000 shares at \$1.05 per share in settlement of \$141,750.00 in advances to the Company's wholly-owned subsidiary, Yukon Geothermal Co. Ltd., by R.E. Wolf.
- (c) Option to Brown Farris & Jefferson Ltd. on 25,000 shares at \$1.15 per share for a period acceptable to the Toronto Stock Exchange granted as part of the finders fee for item 1(a). (see item 8)

2. Head office address and any other office address.

Head Office: Ste. 607, 80 Richmond St. W., Toronto, Ontario.
Executive Office: Ste. 703, 703-6th Ave. S.W., Calgary, Alberta

3. Names, addresses and chief occupations for the past five years of present or proposed officers and directors.	<p>President: Office vacant at present</p> <p>Vice-President & Director: M.E. Algar, 5116 Carney Rd. N.W., Calgary, Alta. Oil & Gas Executive</p> <p>Vice-President, Finance & Director: F.W. Pooley, 407-8th St. S.W., Calgary, Alta. Mining & Oil Exec., formerly Mining Analyst</p> <p>Sec.-Treasurer & Director: John E. Prothroe, Q.C. 408 Roxboro Rd. S.W., Calgary, Alta. Lawyer</p> <p>Director: Frank F. Gray, 4512 - 4A St. S.W., Calgary, Alta. President of the Company until June 30, 1972. Geologist.</p> <p>Director: Bernt R. Honeth, 9 Ennisclaire Dr., Oakville, Ontario. Mining Consultant and Executive</p> <p>Director: C. Ralph Hoar, 2716 Carlton St., Calgary, Alta. Accountant</p> <p>Director: Adolf H. Lundin, 6 rue de la Corraterie, Formerly Director of 1204 Geneva, Switzerland. Centre d'Etudes Industrielle, Geneva. Business Executive.</p>
4. Share capitalization showing authorized and issued and outstanding capital.	<p>Authorized Capital: 8,000,000 shares of no par value</p> <p>Issued Capital: 4,247,979 shares of no par value</p> <p>Allotted & to be issued: 602,614 shares of no par value</p>
5. Particulars in respect of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.	\$500,000 seven year convertible debentures to be issued (see Item 1(a))
6. Details of any treasury shares or other securities now the subject of any underwriting, sale or option agreement or of any proposed underwriting, sale or option agreement.	<p>(a) 135,000 shares to be issued to R.E. Wolf (see item 1(b)).</p> <p>(b) 25,000 shares under option to Brown Farris & Jefferson Ltd. (see item 1(c)).</p> <p>(c) 38,333 shares under employee option expiring Sept. 30, 1972.</p> <p>(d) 40,000 shares under employee option expiring Dec. 1976.</p> <p>(e) 40,000 shares under employee option expiring June 1977.</p> <p>(f) 434,783 shares reserved for conversion of debentures (see item 1(a)).</p>
7. Names and addresses of persons having any interest, direct or indirect in underwritten or optioned shares or other securities or assignments, present or proposed, and, if any assignment is contemplated, particulars thereof.	<p>Re Item 6 -</p> <p>(a) R.E. Wolf, P.O. Box 6240-Stn.'D', Calgary, Alta. T2P 2C8</p> <p>(b) Michael J. Brown, 804-470 Granville St., Vancouver 2, B.C. J. Haig deB. Farris, 804-470 Granville St., Vancouver 2, B.C. Jack R. Jefferson, 804-470 Granville St., Vancouver 2, B.C.</p> <p>(c) Frank F. Gray, 4512-4A St. S.W., Calgary, Alta.</p> <p>(d) F.W. Pooley, 507-8th St. S.W., Calgary, Alta.</p> <p>(e) M.E. Algar, 5116 Carney Rd. N.W., Calgary, Alta.</p>
8. Any payments in cash or securities of the company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.	An option for a two-year term on 25,000 shares of capital stock at \$1.15 per share plus cash of up to \$18,750 is payable to Brown, Farris & Jefferson, Ltd., 804 - 470 Granville St., Vancouver 2, B.C. This is an arms length transaction and these shares will be acquired for investment purposes. Brown, Farris & Jefferson, Ltd. have been acting, and will continue to act, as Financial Consultants to the Company.
9. Brief statement of company's future development plans, including proposed expenditure of proceeds of sale of treasury shares, if any.	<p>The Company is participating in the following:</p> <p>(a) The drilling of two wells on Axel Heiberg Island in the Arctic commencing this fall at an estimated cost to the Company of \$400,000 which will reduce the long term liability to the Government of Canada and release term deposits.</p> <p>(b) Seismic programs in the Celtic Sea and on the Shetland Hebridean Shelf, offshore United Kingdom, at an estimated cost to the Company of \$128,000 of which \$100,000 is recoverable.</p> <p>(c) Applications for Dutch North Sea licences which will require rentals and continuing exploration work. Budgeted cost through seismic are \$125,000 of which \$50,000 is recoverable.</p> <p>(d) Continuing land acquisitions, farmouts and exploratory work as opportunities come available.</p> <p>The balance of the funds will be used for general corporate purposes and to augment working capital.</p>

FINANCIAL STATEMENTS

CANADA GEOTHERMAL OIL LTD.

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 1972 (Unaudited)

ASSETS

Current

Cash (including \$180,000 held in trust, Note 4)	\$ 200,610
Term deposits (Note 3)	486,950
Accounts receivable (Note 4)	111,518
Marketable securities (market value - \$4,790)	7,076
	<u>806,154</u>

Investments and Advances

Shares of and advances to unconsolidated subsidiary company (Note 2)	1
Other investments - shares (market value \$14,130)	37,680
	<u>37,681</u>

Property Interests and Deferred Expenditures (Note 1)	5,295,178
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Other Assets - at cost

Refundable drilling deposits	4,997
Reorganization and financing expense	58,748
	<u>63,745</u>
	<u>\$6,202,758</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current

Accounts payable	\$ 30,110
Notes payable	126,345
Current portion of long term debt	358,760
Funds held in trust	180,000
	<u>695,215</u>
Long Term Debt: (Note 3)	<u>516,602</u>

Shareholders' Equity:

Capital Stock (Notes 5 & 6)	
Authorized: 8,000,000 shares of no par value	
Issued: 4,247,979 shares	5,623,973
Allotted and	
to be issued: 602,614 shares	706,682
	<u>6,330,655</u>
Deficit	<u>1,339,714</u>
	<u>4,990,941</u>
	<u>\$6,202,758</u>

Approved on Behalf of the Board

F. P. Kelly Director

J. J. McAlpin Director

The accompanying notes are an integral part of the financial statements.

CANADA GEOTHERMAL OIL LTD.

CONSOLIDATED STATEMENT OF CHANGES IN PROPERTY INTERESTS AND DEFERRED EXPENDITURES

FOR THE THREE MONTHS ENDED JUNE 30, 1972
(Unaudited)

	<u>Balance March 31, 1972 (Audited)</u>	<u>Additions (Net)</u>	<u>Balance June 30, 1972</u>
Property Interests			
Oil, gas and mineral permits, leases and interests	\$4,829,554	\$ 20,559	\$4,850,113
Well development costs	23,715	--	23,715
Well, battery and other equipment	7,032	23	7,055
Total Property Interests	4,860,301	20,582	4,880,883
Deferred Expenditures			
Administration and general	229,254	18,047	247,301
Depletion and depreciation (Note 1)	- 9,873	--	9,873
Geological and geophysical	104,036	8,193	112,229
Interest - net	45,828	(6,233)	39,595
Lease rentals	42,431	--	42,431
Other charges	4,956	--	4,956
	436,378	20,007	456,385
Less income:			
Net proceeds from production	6,903	708	7,611
Administration and other fees	29,187	4,782	33,969
Gain on sale of investments	510	--	510
	36,600	5,490	42,090
Total deferred expenditures	399,778	14,517	414,295
Total property interests and deferred expenditures	\$5,260,079	\$35,099	\$5,295,178

The accompanying notes are an integral part of the financial statements.

CANADA GEOTHERMAL OIL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1972

1. BASIS OF THE FINANCIAL STATEMENTS:

The accompanying consolidated financial statements include the accounts of Canada Geothermal Oil Ltd. and its wholly-owned subsidiaries, Yukon Geothermal Co. Ltd., Alaska Geothermal Oil Co. Inc., and Geothermal Oil Limited, which were acquired during the year, recorded in Canadian funds, and converted at the dates of their transactions.

The difference between the cost of the shares of these subsidiaries and their net book values at date of acquisition has been included in property interests and deferred expenditures.

The properties in which the companies have interests are in an exploratory or development stage and, accordingly, all expenditures (net of proceeds) have been capitalized or deferred.

No provision for depletion, amortization or depreciation of the amounts carried for non-producing property interests or for the amounts carried for deferred expenditures is included in the accompanying financial statements. Depreciation has been provided on well, battery and other equipment on the diminishing balance method at rates of 10% - 30%. Amortization of well development costs and depletion of property interest costs pertaining to producing wells has been provided on the unit-of-production method.

Realization of the amounts represented by property interests and deferred expenditures is dependent upon future developments, since the properties represented by these assets are substantially unexplored or undeveloped.

2. INVESTMENT IN SHARES OF AND ADVANCES TO UNCONSOLIDATED SUBSIDIARY COMPANY:

In the accompanying financial statements the assets and liabilities and income and expenses of Globe Oil Co. (1958) Ltd. have not been included because as stated in their March 31, 1970 audited financial statements and as is currently the situation, the subsidiary's title to substantially all of its oil and gas properties is in jeopardy as a result of failure to pay the royalties owing on past production.

3. LONG-TERM DEBT:

The details of long-term debt as at June 30, 1972 are as follows:

	<u>Total</u>	<u>Current Portion</u>
Loan payable to a shareholder - to be repaid in treasury shares (Note 5(b))	\$141,750	\$ -
Notes payable to Alaska Exploration Corporation bearing interest at 6% per annum and repayable as follows:		
Due before October 14, 1972	60,000	60,000
Due after June 30, 1973	189,702	-
Non-interest bearing notes payable to the Government of Canada to secure work requirements on certain exploratory permits held by the company. The company has term deposits totalling \$484,850 as security for these notes payable and if it is unable to meet its work requirements on these permits within specific periods the deficiency will be made up from these term deposits and paid to the Government of Canada in satisfaction of notes payable	483,910	298,760
	875,362	<u>\$358,760</u>
Less amount included in current liabilities	<u>358,760</u>	
Total long-term debt	<u>\$516,602</u>	

CANADA GEOTHERMAL OIL LTD.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSJUNE 30, 1972

4. FUNDS HELD IN TRUST:

Pursuant to an agreement whereby certain property interests owned by the company and other participants were assigned to a new participant, the company is holding in trust, an amount of \$180,000 which will be distributed at such time as final ratification is received from governmental authorities and transfer of title to the new participant has been formally effected.

Of the amount of \$180,000, the company is entitled to receive \$28,643 which is included in accounts receivable in the accompanying financial statements.

5. CAPITAL STOCK:

(a) Pursuant to an agreement dated February 18, 1970, the company acquired interests in certain properties valued at \$139,592 in exchange for 22,800 shares of Sturgeon Petroleum Ltd. valued at \$14,592 and a commitment to issue in instalments 100,000 treasury shares (500,000 before consolidation of shares) valued at \$125,000. During the year 15,000 shares (75,000 before consolidation of shares) were issued at a value of \$18,750. The remaining shares are to be issued in the following instalments:

15,000 shares on June 1, 1971	\$18,750
20,000 shares on June 1, 1972	25,000
20,000 shares on June 1, 1973	25,000
30,000 shares on June 1, 1974	<u>37,500</u>
<u>85,000</u>	<u>\$106,250</u>

As at June 30, 1972 or subsequent thereto, the Board of Directors have not authorized the issue of the instalments of shares due on June 1, 1971 and June 1, 1972.

(b) Pursuant to the Agreement and Plan of Reorganization dated May 31, 1971, the Company acquired interests in certain properties from "The Partners" valued at \$821,853 in exchange for 708,494 shares to be issued as per the Schedule of Payment and Delivery for Partners. During the year 190,880 shares were issued and delivered to "The Partners" and the remaining 517,614 shares have been allotted and are to be issued and delivered as follows:

147,859 shares on August 25, 1972	\$171,516
139,006 shares on August 25, 1973	161,247
116,440 shares on August 25, 1974	135,070
<u>114,309 shares on August 25, 1975</u>	<u>132,599</u>
<u>517,614 shares</u>	<u>\$600,432</u>

(c) On June 9, 1972 the Executive Committee of the Board of Directors of the Company agreed to issue 135,000 shares of capital stock of the company at \$1.05 per share in settlement of loans payable to a shareholder of \$141,750 (Note 3) subject to the approval of the necessary regulatory bodies.

6. EMPLOYEE STOCK OPTIONS:

On August 12, 1971 the company's shareholders approved an incentive stock option plan authorizing a committee of directors to grant options to key employees. Options were granted to two officers to purchase 155,000 shares at a price of \$1.00 per share. These options expire on December 15, 1976 or at a date prior should the employee cease to be employed by the company. No options were exercised during the year.

On June 30, 1972 options on 76,667 shares were automatically cancelled and an option on 38,333 shares will expire on September 30, 1972. In addition an option was granted to an officer of the company on 40,000 shares at \$1.00 per share.

CANADA GEOTHERMAL OIL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1972

7. LITIGATION:

1. A statement of claim by Sturgeon Petroleums Ltd. dated November 6, 1970 has been made against the subsidiary company Yukon Geothermal Co. Ltd. for \$29,507. This amount has been paid into the court during the year. Yukon has filed a defence and a counterclaim for damages of \$100,000 resulting from a series of alleged breaches of an agreement between Sturgeon Petroleums Ltd. and that company.

2. The solicitors for Sturgeon Petroleums Ltd. have demanded that the company purchase 89,000 shares of Globe Oil Co. (1958) Ltd. for an amount of \$22,250 pursuant to a certain agreement dated February 19, 1970 between Sturgeon Petroleums Ltd., Yukon Geothermal Co. Ltd., and certain individuals. The company's solicitors believe that any claim which may be asserted by Sturgeon Petroleums Ltd. can be successfully defended and therefore management has not recognized any liability and none is included in the financial statements.

8. SUBSEQUENT EVENTS:

The Company has agreed to sell up to \$500,000 of its 7 year convertible debentures, bearing interest at Mercantile Bank of Canada prime commercial lending rate adjusted January and July secured by a floating charge on all the assets and undertakings of the Company, convertible into common shares of the Company at \$1.15 per share subject to adjustment for dilution and redeemable prior to maturity under certain conditions. As a finders fee on the above transaction the Company has granted an option on 25,000 shares of the Company at \$1.15 per share together with a cash payment of \$18,750. These transactions are subject to the approval of the necessary regulatory bodies.

AUDITORS' REPORT

To the Shareholders of
Canada Geothermal Oil Ltd.

We have examined the consolidated balance sheet of Canada Geothermal Oil Ltd. (formerly Wespac Petroleum Limited) and its subsidiaries as at March 31, 1972 and the consolidated statements of changes in property interests and deferred expenditures and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, subject to such adjustment as would result from failure to recover in the future, the amounts at which the property interests and deferred expenditures are carried in the consolidated balance sheet (see Note 1), these consolidated financial statements present fairly the financial position of the companies as at March 31, 1972 and the changes in their property interests and deferred expenditures and the source and application of their funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in accounting practice as explained in Notes 1 and 9.

Deloitte, Haskins & Sells
DELOTTE, HASKINS & SELLS

July 25, 1972

Chartered Accountants

CANADA GEOTHERMAL OIL LTD.

DIRECTORS' REPORT

To the Shareholders of
Canada Geothermal Oil Ltd.

The accompanying consolidated financial statements do not include the assets and liabilities and income and expenses of Globe Oil Co. (1958) Ltd. for the reasons mentioned in Note 2 to the financial statements.

Also, it is not possible to determine the company's portion of the income or loss of this subsidiary for the year ended March 31, 1972 or the company's portion of the undistributed incomes or losses of this subsidiary since acquisition because the subsidiary's records have not been maintained. The last audit of Globe Oil Co. (1958) Ltd. was at March 31, 1970.

There is no amount shown in the accompanying financial statements as income or loss from Globe Oil Co. (1958) Ltd. for the year ended March 31, 1972 and the investment in this subsidiary is carried at nominal value.

Calgary, Alberta

July 25, 1972

J. J. Ziegler, C.M., Director
G. F. McLean, Director

CANADA GEOTHERMAL OIL LTD.

(formerly Wespac Petroleum Limited)

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 1972

(with 1971 figures for comparison)

	<u>ASSETS</u>	
	<u>1972</u>	<u>1971</u>
CURRENT ASSETS:		
Cash (including \$180,000 held in trust, Note 4).....	\$ 269,276	\$ 640
Term deposits (Note 3).....	484,850	23,919
Accounts receivable (Note 4).....	53,289	3,457
Marketable securities - at lower of cost or market (quoted market value 1972 - \$7,076; 1971 - \$40,110)	<u>7,076</u>	<u>39,760</u>
Total current assets.....	<u>814,491</u>	<u>67,776</u>
INVESTMENTS AND ADVANCES:		
Shares of and advances to unconsolidated subsidiary company (Note 2).....	1	1
Other investments - shares - at market value.....	<u>37,680</u>	<u>-</u>
Total investments and advances....	<u>37,681</u>	<u>1</u>
PROPERTY INTERESTS AND DEFERRED EXPENDITURES (Note 1).	<u>5,260,079</u>	<u>215,204</u>
OTHER ASSETS - at cost:		
Refundable drilling deposit.....	4,938	4,938
Reorganization and financing expenses.....	<u>58,748</u>	<u>-</u>
Total other assets.....	<u>63,686</u>	<u>4,938</u>
TOTAL.....	<u>\$6,175,937</u>	<u>\$287,919</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
	<u>1972</u>	<u>1971</u>
CURRENT LIABILITIES:		
Bank indebtedness - secured by specific guarantees. \$ -	\$ 20,000	
Accounts payable and accrued liabilities.....	97,082	17,413
Current portion of long-term debt (Note 3).....	391,312	23,823
Funds held in trust (Note 4).....	<u>180,000</u>	<u>-</u>
Total current liabilities.....	<u>668,394</u>	<u>61,236</u>
LONG-TERM DEBT (Notes 3 and 11).....	<u>516,602</u>	<u>-</u>
SHAREHOLDERS' EQUITY:		
Capital stock (Note 5, 6 and 11):		
Authorized:		
8,000,000 common shares of no par value		
Issued and fully paid:		
4,247,979 shares.....	5,623,973	1,441,397
Allotted and to be issued:		
602,614 shares.....	<u>706,682</u>	<u>125,000</u>
Total capital stock.....	6,330,655	1,566,397
Deficit.....	<u>1,339,714</u>	<u>1,339,714</u>
Net shareholders' equity.....	<u>4,990,941</u>	<u>226,683</u>
TOTAL.....	<u>\$6,175,937</u>	<u>\$287,919</u>

Approved by the Board:

M. J. Albyan.....Director
J. P. Peleg.....Director

The accompanying notes are an integral part of the financial statements.

CANADA GEOTHERMAL OIL LTD.

(formerly Wespac Petroleum Limited)

CONSOLIDATED STATEMENT OF CHANGES IN PROPERTY INTERESTS AND DEFERRED EXPENDITURES

FOR THE YEAR ENDED MARCH 31, 1972

	<u>Balance March 31, 1971</u>	<u>Additions Through Acquisition of Subsidiaries</u>	<u>Other Additions</u>	<u>Sales and Transfers</u>	<u>Balance March 31, 1972</u>
PROPERTY INTERESTS:					
Oil, gas and mineral permits, leases and interests.....	\$195,471	\$3,582,601	\$1,068,637	\$17,155	\$4,829,554
Well development costs.....	15,416	-	14,256	5,957	23,715
Well, battery and other equipment.....	<u>4,317</u>	<u>1,050</u>	<u>3,478</u>	<u>1,813</u>	<u>7,032</u>
Total property interests.....	<u>215,204</u>	<u>3,583,651</u>	<u>1,086,371</u>	<u>24,925</u>	<u>4,860,301</u>
DEFERRED EXPENDITURES:					
Administration and general.....	-	115,758	113,496	-	229,254
Depreciation and depreciation (Note 1).....	-	-	9,873	-	9,873
Geological and geophysical.....	-	58,725	45,311	-	104,036
Interest - net.....	-	47,192	(1,364)	-	45,828
Lease rentals.....	-	20,215	22,216	-	42,431
Other charges.....	-	4,956	-	-	4,956
		<u>246,846</u>	<u>189,532</u>	<u>-</u>	<u>436,378</u>
Less income:					
Net proceeds from production.....	-	-	6,903	-	6,903
Administration and other fees.....	-	-	29,187	-	29,187
Gain on sale of investments.....	-	-	510	-	510
		<u>-</u>	<u>36,600</u>	<u>-</u>	<u>36,600</u>
Total deferred expenditures.....	<u>-</u>	<u>246,846</u>	<u>152,932</u>	<u>-</u>	<u>399,778</u>
Total property interests and deferred expenditures.....	<u>\$215,204</u>	<u>\$3,830,497</u>	<u>\$1,239,303</u>	<u>\$24,925</u>	<u>\$5,260,079</u>

CANADA GEOTHERMAL OIL LTD.

(formerly Wespac Petroleum Limited)

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED MARCH 31, 1972
 (with 1971 figures for comparison)

	<u>1972</u>	<u>1971</u>
FUNDS PROVIDED:		
Proceeds from sale of production equipment.....	\$ -	\$ 85
Proceeds from issue of shares (Note 5).....	4,163,826	-
Proceeds from allotment of shares (Note 5).....	600,432	-
Proceeds from sale of property interests.....	15,052	-
Long-term loan from a shareholder.....	26,390	-
Loan from Alaska Exploration Corporation - deferred (Note 3).....	189,702	-
Government of Canada notes payable - now long-term.....	185,150	-
Long-term loan through acquisition of subsidiaries.....	<u>115,360</u>	<u>-</u>
 Total funds provided.....	<u>5,295,912</u>	<u>85</u>
FUNDS APPLIED:		
Net loss for the year.....	<u>-</u>	<u>79,866</u>
Deduct adjustments for items not requiring an outlay of funds:		
Abandonment of non-producing properties.....	<u>-</u>	<u>42,263</u>
Depletion and depreciation.....	<u>-</u>	<u>9,905</u>
	<u>-</u>	<u>52,168</u>
 Total funds applied to operations.....	<u>-</u>	<u>27,698</u>
Additions to oil, gas and mineral permits, leases and interests.....	1,068,637	24,911
Additions to well development costs.....	14,256	-
Purchase of well, battery and other equipment.....	3,478	-
Additions to deferred expenditures, excluding depreciation and depletion of \$9,873.....	143,059	-
Reorganization and financing expenses.....	58,748	-
Investment in shares reclassified as non-current asset..	37,680	-
Additions to property interests and deferred expenditures through acquisition of subsidiaries.....	<u>3,830,497</u>	<u>-</u>
 Total funds applied.....	<u>5,156,355</u>	<u>52,609</u>
 INCREASE (DECREASE) IN WORKING CAPITAL.....	139,557	(52,524)
 WORKING CAPITAL AT BEGINNING OF THE YEAR.....	<b">6,540</b">	59,064
 WORKING CAPITAL AT END OF THE YEAR.....	\$ 146,097	\$ 6,540

The accompanying notes are an integral
part of the financial statements.

CANADA GEOTHERMAL OIL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1972

1. BASIS OF THE FINANCIAL STATEMENTS:

The accompanying consolidated financial statements include the accounts of Canada Geothermal Oil Ltd. and its wholly-owned subsidiaries, Yukon Geothermal Co. Ltd., Alaska Geothermal Oil Co. Inc., and Geothermal Oil Limited, which were acquired during the year, recorded in Canadian funds, and converted at the dates of their transactions.

The difference between the cost of the shares of these subsidiaries and their net book values at date of acquisition has been included in property interests and deferred expenditures.

The properties in which the companies have interests are in an exploratory or development stage and, accordingly, all expenditures (net of proceeds) have been capitalized or deferred.

No provision for depletion, amortization or depreciation of the amounts carried for non-producing property interests or for the amounts carried for deferred expenditures is included in the accompanying financial statements. Depreciation has been provided on well, battery and other equipment on the diminishing balance method at rates of 10% - 30%. Amortization of well development costs and depletion of property interest costs pertaining to producing wells has been provided on the unit-of-production method.

Realization of the amounts represented by property interests and deferred expenditures is dependent upon future developments, since the properties represented by these assets are substantially unexplored or undeveloped.

2. INVESTMENT IN SHARES OF AND ADVANCES TO UNCONSOLIDATED SUBSIDIARY COMPANY:

In the accompanying financial statements the assets and liabilities and income and expenses of Globe Oil Co. (1958) Ltd. have not been included because as stated in their March 31, 1970 audited financial statements and as is currently the situation, the subsidiary's title to substantially all of its oil and gas properties is in jeopardy as a result of failure to pay the royalties owing on past production.

As mentioned in the Directors' Report accompanying the financial statements, no income or loss has been recorded for the year from this subsidiary and the value of the investment in shares of and advances to the unconsolidated subsidiary is still considered to be of nominal value.

3. LONG-TERM DEBT:

The details of long-term debt as at March 31, 1972 are as follows:

	<u>Total</u>	<u>Current Portion</u>
Loan payable to a shareholder - non-interest bearing and no fixed terms of repayment (Note 11)	\$174,302	\$ 32,552
Notes payable to Alaska Exploration Corporation bearing interest at 6% per annum and repayable as follows:		
Due before October 14, 1972.....	60,000	60,000
Due after March 31, 1973.....	189,702	-
Non-interest bearing notes payable to the Government of Canada to secure work requirements on certain exploratory permits held by the company. The company has term deposits totalling \$484,850 as security for these notes payable and if it is unable to meet its work requirements on these permits within specific periods the deficiency will be made up from these term deposits and paid to the Government of Canada in satisfaction of notes payable.....	483,910	298,760
	907,914	\$391,312
Less amount included in current liabilities....	<u>391,312</u>	
Total long-term debt.....	<u>\$516,602</u>	

CANADA GEOTHERMAL OIL LTD.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSMARCH 31, 1972

4. FUNDS HELD IN TRUST:

Pursuant to an agreement whereby certain property interests owned by the company and other participants were assigned to a new participant, the company is holding in trust, an amount of \$180,000 which will be distributed at such time as final ratification is received from governmental authorities and transfer of title to the new participant has been formally effected.

Of the amount of \$180,000, the company is entitled to receive \$28,643 which is included in accounts receivable in the accompanying financial statements.

5. CAPITAL STOCK:

(a) During the year the company consolidated its authorized capital on a one-for-five basis from 5,000,000 shares to 1,000,000 shares and increased its authorized capital to 8,000,000 shares.

Changes in shares issued during the year were as follows:

	Number of Shares	Amount
Balance April 1, 1971.....	2,600,000	\$1,441,397
Issue of allotted shares (Note 5 (b)).....	<u>75,000</u>	<u>18,750</u>
	<u>2,675,000</u>	<u>1,460,147</u>
Reduction in shares issued through consolidation of 2,675,000 shares on a one-for-five basis.....	<u>2,140,000</u>	<u>-</u>
Balance after consolidation of shares.....	<u>535,000</u>	<u>1,460,147</u>

Consolidated shares issued to March 31, 1972:

Issued for 100% of shares of Yukon Geothermal Co. Ltd.....	2,515,099	2,917,515
Issued for properties (Note 5 (c)).....	<u>190,880</u>	<u>221,421</u>
Issued for cash.....	<u>1,007,000</u>	<u>1,024,890</u>
	<u>3,712,979</u>	<u>4,163,826</u>
Balance March 31, 1972.....	<u>4,247,979</u>	<u>\$5,623,973</u>

(b) Pursuant to an agreement dated February 18, 1970, the company acquired interests in certain properties valued at \$139,592 in exchange for 22,800 shares of Sturgeon Petroleum Ltd. valued at \$14,592 and a commitment to issue in instalments 100,000 treasury shares (500,000 before consolidation of shares) valued at \$125,000. During the year 15,000 shares (75,000 before consolidation of shares) were issued at a value of \$18,750. The remaining shares are to be issued in the following instalments:

15,000 shares on June 1, 1971	\$18,750
20,000 shares on June 1, 1972	25,000
20,000 shares on June 1, 1973	25,000
<u>30,000</u> shares on June 1, 1974	<u>37,500</u>
<u>85,000</u>	<u>\$106,250</u>

As at March 31, 1972 or subsequent thereto, the Board of Directors have not authorized the issue of the instalments of shares due on June 1, 1971 and June 1, 1972.

CANADA GEOTHERMAL OIL LTD.NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSMARCH 31, 1972

5. CAPITAL STOCK: (continued)

(c) Pursuant to an agreement dated May 31, 1971, the company acquired interests in certain properties valued at \$821,853 in exchange for 708,794 shares of the company to be issued in accordance with the following schedule:

190,880 shares on August 25, 1971	\$221,421
147,859 shares on August 25, 1972	171,516
139,006 shares on August 25, 1973	161,247
116,440 shares on August 25, 1974	135,070
<u>114,309</u> shares on August 25, 1975	<u>132,599</u>
<u>708,494</u> shares	<u>\$821,853</u>

During the year 190,880 shares valued at \$221,421 were issued under this agreement, leaving 517,614 shares valued at \$600,432 allotted and to be issued at March 31, 1972.

6. EMPLOYEE STOCK OPTIONS:

On August 12, 1971 the company's shareholders approved an incentive stock option plan authorizing a committee of directors to grant options to key employees. Options were granted to two officers to purchase 155,000 shares at a price of \$1.00 per share. These options expire on December 15, 1976 or at a date prior should the employee cease to be employed by the company. No options were exercised during the year.

Subsequent to the year end options on 76,667 shares were cancelled and an option on 38,333 shares will expire on September 30, 1972. In addition an option was granted to an officer of the company on 40,000 shares at \$1.00 per share.

7. REMUNERATION OF MANAGEMENT:

During the year an amount of \$24,000 was paid or accrued to a director of a subsidiary company and amounts of \$25,350 (1971 - \$6,450) were paid or accrued to management companies controlled by directors of the company. These amounts are included in deferred expenditures.

8. INCOME TAXES:

Under Canadian income tax law, exploration and development expenditures including certain property acquisition costs may be deducted from income or, if such expenditures exceed the income for the year, the excess may be carried forward to subsequent years. No provision for income taxes was required for the year ended March 31, 1972.

9. CHANGE IN ACCOUNTING PRACTICE:

The consolidated balance sheet as at March 31, 1972 and the consolidated statement of changes in property interests and deferred expenditures and the consolidated statement of source and application of funds for the year then ended have been prepared in accordance with the accounting practice as outlined in Note 1. This practice commenced on April 1, 1971 and has not been applied retroactively for the accounts of the parent company.

Previously the company's practice was to capitalize petroleum, natural gas and mining interest and well development costs, and to amortize the costs relating to producing properties on an estimated unit-of-production basis. Lease rentals and dry hole costs were expensed in the year incurred. Non-producing properties were charged to operations in the year of abandonment or surrender. Depreciation of production equipment was provided on the diminishing-balance method.

10. LITIGATION:

1. A statement of claim by Sturgeon Petroleum Ltd. dated November 6, 1970 has been made against the subsidiary company Yukon Geothermal Co. Ltd. for \$29,507. This amount has been paid into the court during the year. Yukon has filed a defence and a counterclaim for damages of \$100,000 resulting from a series of alleged breaches of an agreement between Sturgeon Petroleum Ltd. and that company.

CANADA GEOTHERMAL OIL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1972

10. LITIGATION: (continued)

2. The solicitors for Sturgeon Petroleums Ltd. have demanded that the company purchase 89,000 shares of Globe Oil Co. (1958) Ltd. for an amount of \$22,250 pursuant to a certain agreement dated February 19, 1970 between Sturgeon Petroleums Ltd., Yukon Geothermal Co. Ltd., and certain individuals. The company's solicitors believe that any claim which may be asserted by Sturgeon Petroleums Ltd. can be successfully defended and therefore management has not recognized any liability and none is included in the financial statements.

11. SUBSEQUENT EVENTS:

(a) On June 9, 1972 the Executive Committee of the Board of Directors of the company agreed to issue 135,000 shares of capital stock of the company at \$1.05 per share in settlement of loans payable to a shareholder of \$141,750 (Note 3) subject to the approval of the necessary regulatory bodies.

(b) The Company proposes to issue up to \$500,000 7 year convertible debentures, bearing interest at the Mercantile Bank of Canada prime commercial lending rate adjusted January and July each year; secured by a floating charge on all the assets and undertakings of the Company; convertible into common shares of the Company at \$1.15 per share subject to adjustment for dilution and redeemable prior to maturity under certain conditions. As a finder's fee on the above transaction the Company has granted an option on 25,000 shares of the Company at \$1.15 per share together with a cash payment of up to \$18,750. The issue of these debentures is subject to the approval of the necessary regulatory bodies.

10. Brief statement of company's chief development work during past year.	During the past year the Company was acquiring and correlating geological and geophysical data on the U.K. and Dutch offshore areas to enable them to form groups to apply for licences. In addition they formed a syndicate to participate in drilling two wells in the Arctic, acquired leases and P&NG permits in Saskatchewan, participated in three shallow wells (one successful oil well) and carried on general geological studies.																				
11. Names and addresses of vendors of any property or other assets intended to be purchased by the company showing the consideration to be paid.	None																				
12. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company.	Not applicable.																				
13. Number of shares held in escrow or in pool and a brief statement of the terms of escrow or the pooling agreement.	Pooling agreement between R.E. Wolf, The Wolverine Foundation, Bridgestone Resources Ltd. and Hector M. Chisholm & Co. Ltd. covering 2,882,815 shares to be released from pool over a 10-year period commencing August 25, 1971.																				
14. Names and addresses of owners of more than a 5% interest in escrowed shares and their shareholdings (If shares are registered in the names of nominees or in street names, give names of beneficial owners, if possible.)	<p>R.E. Wolf, Box 6240-Station 'D', Calgary, Alta. 1,676,733 shares The Wolverine Foundation, " 1,055,685 shares Bridgestone Resources Ltd. " 150,398 shares</p>																				
15. Names, addresses and shareholdings of five largest registered shareholders and if shareholdings are pooled or escrowed, so stating. If shares are registered in names of nominees or in street names, give names of beneficial owners, if possible, and if names are not those of beneficial owners, so state.	<table border="1"> <thead> <tr> <th></th> <th style="text-align: right;"><u>No. of Shares</u></th> </tr> <tr> <th></th> <th style="text-align: right;"><u>Registered</u></th> <th style="text-align: right;"><u>Beneficial</u></th> </tr> </thead> <tbody> <tr> <td>R.E. Wolf, P.O. Box 6240, Station 'D', Calgary, Alberta T2P 2C8</td> <td style="text-align: right;">1,676,733</td> <td style="text-align: right;">1,707,633</td> </tr> <tr> <td>The Wolverine Foundation, P.O. Box 6240, Station 'D', Calgary, Alberta T2P 2C8</td> <td style="text-align: right;">654,046</td> <td style="text-align: right;">989,145 66,540(1)</td> </tr> <tr> <td>Baker, Weeks of Canada Ltd., Royal Trust Tower, P.O. Box 136, Toronto, Ontario.</td> <td style="text-align: right;">423,779</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Bridgestone Resources Ltd., P.O. Box 6240, Station 'D', Calgary, Alberta. T2P 2C8</td> <td style="text-align: right;">334,718(1)</td> <td style="text-align: right;">150,398 (1)</td> </tr> <tr> <td>Hector M. Chisholm & Co. Limited, 11 Adelaide St. West, Toronto 110, Canada.</td> <td style="text-align: right;">236,700</td> <td style="text-align: right;">(2)</td> </tr> </tbody> </table> <p>(1) Shares allotted, to be issued. (2) The beneficial owners of shares registered in the names of brokers are not known.</p> <p>In addition the following shares are held in trust for distribution to shareholders of the predecessor company:</p> <p>Guaranty Trust Company of Canada, 88 University Avenue, Toronto, Ontario:</p> <p>In trust for distribution to share-holders of Wespac Petroleum Ltd. 130,615</p>		<u>No. of Shares</u>		<u>Registered</u>	<u>Beneficial</u>	R.E. Wolf, P.O. Box 6240, Station 'D', Calgary, Alberta T2P 2C8	1,676,733	1,707,633	The Wolverine Foundation, P.O. Box 6240, Station 'D', Calgary, Alberta T2P 2C8	654,046	989,145 66,540(1)	Baker, Weeks of Canada Ltd., Royal Trust Tower, P.O. Box 136, Toronto, Ontario.	423,779	(2)	Bridgestone Resources Ltd., P.O. Box 6240, Station 'D', Calgary, Alberta. T2P 2C8	334,718(1)	150,398 (1)	Hector M. Chisholm & Co. Limited, 11 Adelaide St. West, Toronto 110, Canada.	236,700	(2)
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16. Names, and addresses of persons whose shareholdings are large enough to materially affect control of the company.	R.E. Wolf, P.O. Box 6240 - Station 'D', Calgary, Alberta T2P 2C8												
17. If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value.	<table> <thead> <tr> <th></th> <th style="text-align: center;"><u>Book</u></th> <th style="text-align: center;"><u>Market</u></th> </tr> </thead> <tbody> <tr> <td>11,976 shares Western Warner Oils Ltd.</td> <td style="text-align: center;">\$ 7,076</td> <td style="text-align: center;">\$ 4,790</td> </tr> <tr> <td>1,542,077 shares Globe Oil Co. (1958) Ltd.</td> <td style="text-align: center;">1</td> <td style="text-align: center;">Nil</td> </tr> <tr> <td>94,200 shares Sturgeon Petroleums Ltd.</td> <td style="text-align: center;">\$37,680</td> <td style="text-align: center;">\$14,130</td> </tr> </tbody> </table>		<u>Book</u>	<u>Market</u>	11,976 shares Western Warner Oils Ltd.	\$ 7,076	\$ 4,790	1,542,077 shares Globe Oil Co. (1958) Ltd.	1	Nil	94,200 shares Sturgeon Petroleums Ltd.	\$37,680	\$14,130
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18. Brief statement of any lawsuits pending or in process against company or its properties.	<p>(a) Statement of Claim by Sturgeon Petroleums Ltd. dated Nov. 6/70 has been made against the Company's subsidiary, Yukon Geothermal Co. Ltd., for \$29,507. This amount has been paid into court. Yukon has filed a defence and a counterclaim for \$100,000 resulting from a series of alleged breaches of an agreement between Sturgeon Petroleums Ltd. and Yukon.</p> <p>(b) Statement of Claim by Sturgeon Petroleums Ltd. dated the 7th of December, 1970 wherein a claim for \$3,796.48 is made against the Company by alleged balance owing on accounts between Sturgeon Petroleums Ltd. and the Company. The Company has defended the claim and counterclaimed. The Company's solicitors are of the opinion the claim can be successfully defended.</p> <p>(c) Sturgeon Petroleums Ltd. has demanded that the Company purchase 89,000 shares of Globe Oil Co. (1958) Ltd. for an amount of \$22,250 pursuant to agreement dated the 19th of February, 1970 between Sturgeon Petroleums Ltd., Yukon Geothermal Co. Ltd. and certain individuals. The Company's solicitors have advised that the said claim can be successfully defended.</p>												
19. The dates of end parties to and the general nature of every material contract entered into by the company which is still in effect and is not disclosed in the foregoing.	None												
20. Statement of any other material facts and if none, so state. Also state whether any shares of the company are in the course of primary distribution to the public.	<p>There are no other material facts. There are no shares of the Company presently in the course of primary distribution to the public.</p>												

CERTIFICATE OF THE COMPANY

DATED July 27, 1972

The foregoing, together with the financial information and other reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs and there is no further material information applicable. (To be signed by two principal signing officers who are directors and the corporate seal to be affixed.)

"F. W. Pooley"

"M. E. Algar"

CORPORATE
SEAL

CERTIFICATE OF UNDERWRITER OR OPTIONEE

To the best of my knowledge, information and belief, the foregoing, together with the financial information and the reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above in respect of the company's affairs. Concerning matters which are not within my knowledge, I have relied upon the accuracy and adequacy of the information supplied to me by the company. (To be signed by underwriter or optionee registered with the Ontario Securities Commission or a corresponding body.)

